



**AGENDA**

MEETING OF THE  
**FINANCE COMMITTEE**  
OF THE  
**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**  
A PUBLIC AGENCY  
MONDAY, AUGUST 31, 2015  
9:00 A.M.  
**SANTA BARBARA MTD CONFERENCE ROOM (UPSTAIRS)**  
550 OLIVE STREET, SANTA BARBARA, CA 93101

1. **CALL TO ORDER**
2. **ROLL CALL OF THE FINANCE COMMITTEE**  
Bill Shelor, Committee Chair  
Dave Tabor, Director  
Roger Aceves, Director
3. **REPORT REGARDING POSTING OF THE AGENDA**
4. **APPROVAL OF PRIOR MINUTES (ATTACHMENT- ACTION MAY BE TAKEN)**  
The committee will be asked to waive the reading of and approve the draft minutes for the meeting of July 28, 2015.
5. **PUBLIC COMMENT**  
Members of the public may address the Committee on items within the jurisdiction of the Committee that are not scheduled for public hearing. The time allotted per speaker will be at the discretion of the Committee Chair. Please complete and deliver to the MTD **Board Clerk, before the meeting is convened, a "Request to Speak" form including a description of the subject you wish to address.**
6. **CASH RESERVE POLICY/GUIDELINES- (ACTION MAY BE TAKEN)**  
That the Finance Committee provide guidance to staff regarding the preparation of a policy and/or guidelines governing the establishment of cash reserves.
7. **OTHER**
8. **ADJOURNMENT**

**AMERICANS WITH DISABILITIES ACT:** If you need special assistance to participate in this meeting, please contact the MTD Administrative Office at 963-3364 at least **48 hours in advance** of the meeting to allow time for MTD to attempt a reasonable accommodation.



**MINUTES**

MEETING OF THE  
**FINANCE COMMITTEE**  
OF THE  
**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**  
A PUBLIC AGENCY  
TUESDAY, JULY 28, 2015  
10:00 A.M.  
**SANTA BARBARA MTD CONFERENCE ROOM (UPSTAIRS)**  
550 OLIVE STREET, SANTA BARBARA, CA 93101

- 1. CALL TO ORDER**  
Director Aceves called the meeting to order at 10:00 a.m.
- 2. ROLL CALL OF THE FINANCE COMMITTEE**  
Director Aceves reported that all members were present with the exception of Director Shelor.
- 3. REPORT REGARDING POSTING OF THE AGENDA**  
Natasha Garduno, Executive Assistant, reported that the agenda was posted on July 24, 2015 at MTD's Administrative Office, mailed and emailed to those on the agenda list, and posted on MTD's website.
- 4. APPROVAL OF PRIOR MINUTES (ATTACHMENT- ACTION MAY BE TAKEN)**  
Director Tabor moved to waive the reading of and approve the draft minutes for the meeting of May 27, 2015. Director Aceves seconded the motion. The motion passed unanimously.
- 5. PUBLIC COMMENT**  
None was made.
- 6. INCREASE OF GENERAL MANAGER'S LIABILITY AND WORKER'S COMPENSATION SETTLEMENT AUTHORITY- (ATTACHMENT- ACTION)**  
Staff presented a recommendation that the Finance Committee consider recommending that the General Manager's settlement authorization increase as follows:

  - Liability claims, increase from \$4,999.99 to \$25,000.
  - Worker's Compensation claims, increase from \$4,999.99 to \$75,000.

After a brief discussion the committee requested that staff do a comparison on settlement authorities with other agencies that are similar to the size of MTD and come back to the committee with that information. The committee also requested that staff perform an RFP in the future for liability representation.
- 7. ADVERTISING PROGRAM-(INFORMATIONAL)**  
Staff provided the Finance Committee with an update on the advertising program. Natasha Garduno, Executive Assistant, shared that advertising sales are currently on target with sales for the 2014 calendar year. Ms. Garduno reported that while MTD did increase advertising rates effective January 1, 2015, the expected advertising revenue for 2015 is not expected to fully reflect this increase. This is due to the fact that many of the renewal contracts for 2015 included the old advertising rates as they were approved prior to the increase going into effect.

**8. OTHER**

No other items were discussed.

**9. ADJOURNMENT**

Director Tabor moved to adjourn the meeting at 10:55 a.m. Director Aceves seconded the motion. The motion passed unanimously.



## FINANCE COMMITTEE REPORT

**MEETING DATE:** August 31, 2015

**AGENDA ITEM #:** 6

**TYPE:** Action

**PREPARED BY:** Jerry Estrada

\_\_\_\_\_  
*Signature*

**REVIEWED BY:** General Manager

\_\_\_\_\_  
*GM Signature*

**SUBJECT:** Cash Reserve Policy/Guidelines

### RECOMMENDATION:

That the Finance Committee provide guidance to staff regarding the preparation of a policy and/or guidelines governing the establishment of cash reserves.

Once the Finance Committee has provided its input to staff's suggested approach, work will begin to finalize the recommended cash reserve levels for each business activity, with justification provided.

### BACKGROUND:

This document is intended to provide the Finance Committee with staff's suggested approach to developing a cash reserve policy and/or guidelines. Staff has also included a discussion of the complexities associated with some of the District's subsidies, as it pertains to establishment of cash reserve policy.

As a political subdivision of the State of California, the Santa Barbara Metropolitan Transit District (District) is a special district with an independent governing body. Local jurisdictions that have elected to join the District appoint six of its seven board members; the seventh is appointed by the other board members. As the governing body of the District, the Board is entrusted, by the public, with a fiduciary responsibility over taxpayer funds and the physical assets of the District.

The District is a public service provider serving a population just under 200,000. However, as an independent special district it is structured as a business, consisting of over 200 employees and \$54 million in assets. The Board attempts to meet all reasonable demands associated with the provision of public transit service within its jurisdiction. Conscientious management of the District's finances, assets and human resources is the chief responsibility of the Board and its General Manager.

## **DISCUSSION:**

Earlier this calendar year during discussions related to the annual budget, staff reported the District's cash position as "stable" but its operating budget was forecasted to be in jeopardy of slipping into deficit spending. The situation is not uncommon for the District, as operating expenditures are typically projected to exceed revenues in future years. This is due in large part to the fact that the District's operating revenues are predominately comprised of three major sources: passenger fares, federal operating assistance and sales tax revenue. While sales tax revenue is a byproduct of the local economy, federal operating assistance is typically a fixed amount of subsidy for a few years at a time. The ability to forecast federal operating assistance is challenged by the national politics surrounding transportation funding. Passenger fare revenue is typically raised by transit policy boards as the need dictates.

The establishment of an operating cash reserve policy is complicated due to the requirements associated with the claiming of subsidies. As an example, federal transit law allows urbanized areas under 200,000 in population, as determined by the most recent decennial census, to claim Section 5307 formula funds as operating assistance. The Santa Barbara Urbanized Area (SBUZA) is slightly under the 200,000 population threshold. However, it is likely that as of the 2020 decennial census the population of the SBUZA may exceed 200,000. If so, the Section 5307 funds could no longer be used as federal operating assistance under existing federal transit law.<sup>1</sup>

Additionally, Federal Transit Administration (FTA) guidelines require grantees to calculate the net project costs of public transit service to determine the maximum amount of federal subsidy that can be claimed as operating assistance. In doing so, passenger fare revenue and other revenue derived from the operation of public transit service must be applied against all allowed operating expenses budgeted for the year before claiming federal operating assistance. The remaining amount of operating expenses is the "net project costs." The maximum federal operating subsidy is set at 50% of that figure for the year.

The rules and regulations applicable to the Transportation Development Act – Local Transportation Fund (TDA-LTF) sales tax revenue are also very complex. TDA-LTF sales tax revenue of \$7.4 million accounts for 30% of the District's operating revenue budgeted for fiscal year 2015-16. These funds have been used to balance operating revenue with expenses annually and provide for the District's working capital and cash reserves.

Requirements associated with the use and claim of capital funding are more conducive to the establishment of a capital reserve policy.

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<sup>1</sup> In fiscal year 2015-16, federal operating assistance to the District was estimated to be approximately \$4.9 million for the year. Under current federal transit law, if the SBUZA were to exceed 200,000 in population, the District could claim the federal Section 5307 funds for capital needs. Federal transit law defines costs associated with the provision of ADA paratransit service and preventive maintenance as capital costs.

### Cash Reserve Guidelines

Staff recommends that cash reserve levels for the following business activities be considered by the Committee:

- Reserve for Capital
  - Annual 5-Year Average Capital Expenditures excluding Buses
  - Bus Replacement Schedule
  - Advantages/Disadvantages of Acquiring Buses in Larger Quantities
  - Set-asides for Other Major Capital Investments (Transit Center, etc.)
  
- Reserve for Emergencies
  - Definition of Emergency – Natural Disasters, Major Funding Loss or Suspension.
  
- Reserve for Operating Activities (Working Capital)
  - Address Cash Flow Needs
    - Receipt of Funds vs. Allocation of Funding
    - Cover Reimbursement for Capital Acquisitions
  - Define Purpose: Avoid Disruption of Operating Activities
  
- Appropriated Reserve
  - Definition of Appropriated Need: Cushion for Unexpected Costs.
    - Cover Variances Associated with Self-insured Workers Compensation and Liability Programs.
    - Address Volatility of Energy Costs